

VAN METER COMMUNITY SCHOOL DISTRICT  
VAN METER, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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VAN METER COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Dan Phillips	President	2007
Gene Gabus	Vice President	2006
Donna Eggleston	Board Member	2005
Kevin Ernst	Board Member	2006
John Seefeld	Board Member	2007
<u>Board of Education</u>		
(After September 2005 Election)		
Gene Gabus	President	2006
Kevin Ernst	Vice President	2006
Dan Phillips	Board Member	2007
John Seefeld	Board Member	2007
Mark Miller	Board Member	2008
<u>School Officials</u>		
Greg DeTimmerman	Superintendent	2008
Shonna Trudo	District Secretary/Treasurer	2006
Elizabeth Grob	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Van Meter Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Meter Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Van Meter Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2006 on our consideration of Van Meter Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 22 and 59 through 61 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hunt, Kain & Associates, P.C.

Van Meter Community School District  
Van Meter, Iowa

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Meter Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
September 1, 2006

# **Van Meter Community School District**

## **Management Discussion and Analysis**

### **For the Year Ending June 30, 2006**

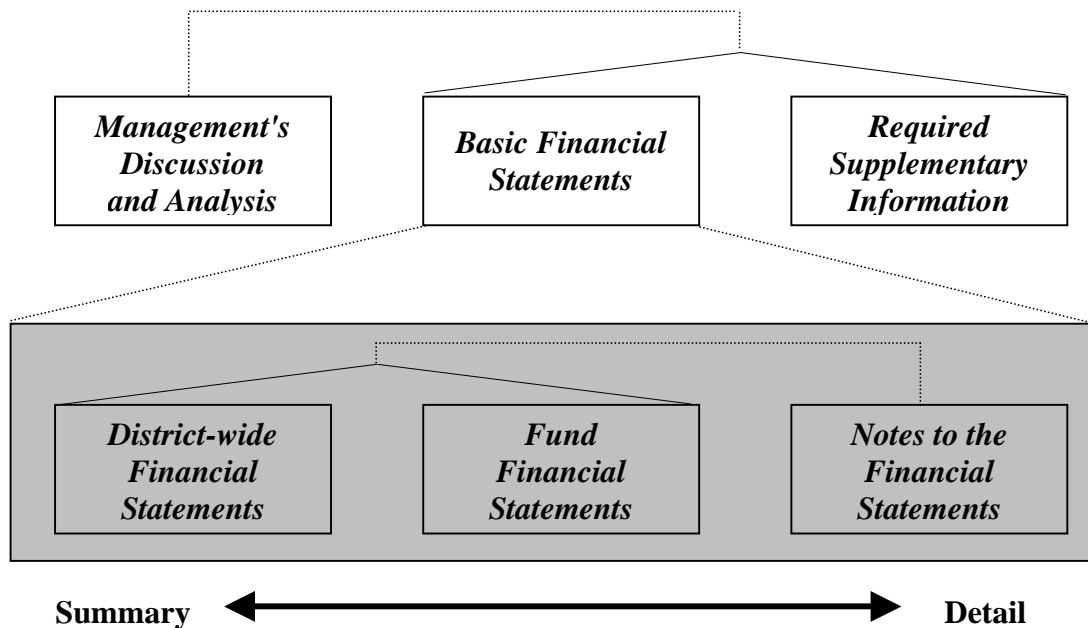
Van Meter Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## **Financial Highlights**

- The District's General Fund undesignated balance decreased from \$463,810 in fiscal year 2005 to \$333,306 in fiscal year 2006. Per the official student enrollment count date, total number of students attending Van Meter increased from 533 in September 2004 (fiscal year 2005) to 571 in September 2005 (fiscal year 2006). Because the state funding for the District is based on prior year's student enrollment, state funding did not keep up with the pace of the increase in student enrollment.
- In December 2005, the Board of Education approved the purchase of approximately 30 acres of land just east of the current school grounds for future expansion. The cost of the land of \$590,000 was funded in part by existing Physical Plant and Equipment Levy (PPEL) fund, Dallas and Madison County SILO, and a \$200,000 General Fund loan to the PPEL fund. At the end of fiscal year 2006, the PPEL fund still owed the General Fund \$110,000. This is another reason that the General Fund undesignated fund balance decreased in 2006.
- In order to continue to meet the needs of the increasing student population, the District added additional special education, elementary, and secondary language arts teachers. This increased the teacher full time equivalents (FTEs) by 3 additional teachers.
- The District had its second full year of receiving both Dallas County and Madison County School Infrastructure Local Option (SILO) taxes. The District continues to pass 25% of the Dallas County SILO proceeds on to the City of Van Meter per a 28E Agreement. The District's share of SILO funds will be used for future infrastructure needs.
- In November 2005, the District issued \$3,155,000 of general obligation school refunding bonds to crossover refund the November 1, 2000 general obligation bonds. The net proceeds from the issuance of the refunding bonds of \$3,131,715 were placed in escrow and will be used to refund the November 1, 2000 bonds on their call date of May 1, 2010. As a result, the District reduced its total debt service requirements by \$217,838 which resulted in a net present value economic gain of \$149,425.

**Figure A-1**

***Van Meter Community School District Annual Financial Report***



## **Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

***Major Features of the District-Wide and Fund Financial Statements***

	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## District-wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as twenty-five percent of all Dallas County SILO proceeds that the City of Van Meter is entitled to. As agreed upon in a 28E Agreement, the District receives a monthly payment from Dallas County for SILO, and then the District passes along 25% to the City of Van Meter. This is the only fiduciary fund the District has.
- The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

# Financial Analysis of the District as a Whole

**Condensed Statement of Net Assets** – Figure A-3 below provides a comparison of the District's net assets for the year ending June 30, 2006 as compared to the prior year.

Summary of Net Assets  
June 30, 2006

Figure A-3

	Governmental Activities		Business-type Activities		Totals		% Change
	2006	2005	2006	2005	2006	2005	2005 to 2006
Current and Other Assets	\$ 6,754,205	\$ 3,441,902	\$ 31,323	\$ 24,229	\$ 6,785,528	\$ 3,466,131	95.77%
<u>Capital Assets</u>	<u>\$ 6,902,937</u>	<u>\$ 6,298,404</u>	<u>\$ 14,581</u>	<u>\$ 18,022</u>	<u>\$ 6,917,518</u>	<u>\$ 6,316,426</u>	<u>9.52%</u>
Total Assets	\$ 13,657,142	\$ 9,740,306	\$ 45,904	\$ 42,251	\$ 13,703,046	\$ 9,782,557	40.08%
Current Liabilities	\$ 2,915,570	\$ 2,229,096	\$ 4,467	\$ -	\$ 2,920,037	\$ 2,229,096	31.00%
<u>Long Term Liabilities</u>	<u>\$ 7,417,635</u>	<u>\$ 4,581,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,417,635</u>	<u>\$ 4,581,642</u>	<u>61.90%</u>
Total Liabilities	\$ 10,333,205	\$ 6,810,738	\$ 4,467	\$ -	\$ 10,337,672	\$ 6,810,738	34.12%
Net Assets							
Invested in Capital Assets, (net of related debt)	\$ 2,764,800	\$ 1,893,404	\$ 14,581	\$ 18,022	\$ 2,779,381	\$ 1,911,426	45.41%
Restricted for:					\$ -	\$ -	
Physical Plant & Equip. Levy	\$ -	\$ 127,860	\$ -	\$ -	\$ -	\$ 127,860	-
Other Special Revenue Purposes	\$ 57,122	\$ 47,362	\$ -	\$ -	\$ 57,122	\$ 47,362	20.61 %
Capital Projects	\$ 139,434	\$ 353,522		\$ -	\$ 139,434	\$ 353,522	-60.56 %
<u>Unrestricted</u>	<u>\$ 362,581</u>	<u>\$ 507,420</u>	<u>\$ 26,856</u>	<u>\$ 24,229</u>	<u>\$ 389,437</u>	<u>\$ 531,649</u>	<u>-26.75 %</u>
Total Net Assets	\$ 3,323,937	\$ 2,929,568	\$ 41,437	\$ 42,251	\$ 3,365,374	\$ 2,971,819	13.25%

Succeeding year property taxes are listed both as a receivable and again as a current liability as deferred revenue. Succeeding year property taxes for 2006 totaled \$1,747,000, which accounts for 60% of the District's current liabilities and 26% of the District's current assets.

The main difference in the comparison of net assets from 2005 to 2006 is the change in the District's cash and pooled investments as well as long-term bonds payable. As explained on page 6, the District's net proceeds from the issuance of the November 1, 2005 refunding bonds that were placed in escrow are included in the District's cash and pooled investments. The additional \$3.1 million dollars included in the District's cash and pooled investments somewhat distorts this amount, as these funds are in an escrow account and will only be used to refund the November 1, 2000 bonds on their call date of May 1, 2010.

This is also the case for the nearly \$3 million increase in long-term liabilities. Due to the crossover refunding, the November 1, 2000 bonds will remain as a long-term liability until May 2010.

## Changes in Net Assets

Figure A-4 below is a comparison in the changes to the District's net assets between 2005 and 2006.

### Change in District's Net Assets

Figure A-4

June 30, 2006

	Governmental Activities		Business-Type Activities		Totals		% Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005 to 2006</u>
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 536,244	\$ 439,665	\$ 138,545	\$ 140,455	\$ 674,789	\$ 580,120	16.32%
Operating Grants and Contributions	\$ 418,237	\$ 407,919	\$ 51,426	\$ 43,762	\$ 469,663	\$ 451,681	3.99%
Capital Grants and Contributions	\$ -	\$ 93,912	\$ -	\$ -	\$ -	\$ 93,912	-
General Revenues							
Property Taxes	\$ 1,945,924	\$ 1,918,642			\$ 1,945,924	\$ 1,918,642	1.43%
Local Option Sales and Service Tax	\$ 346,403	\$ 290,890			\$ 346,403	\$ 290,890	19.09%
Income Surtax	\$ 243,234	\$ 178,091			\$ 243,234	\$ 178,091	36.58%
State Grants (non-restricted)	\$ 1,919,081	\$ 1,640,926			\$ 1,919,081	\$ 1,640,926	16.96%
Other	\$ <u>150,198</u>	\$ <u>82,288</u>	\$ <u>842</u>	\$ <u>216</u>	\$ <u>151,040</u>	\$ <u>82,504</u>	<u>83.07%</u>
<b>Total Revenues</b>	<b>\$ 5,559,321</b>	<b>\$ 5,052,333</b>	<b>\$ 190,813</b>	<b>\$ 184,433</b>	<b>\$ 5,750,134</b>	<b>\$ 5,236,766</b>	<b>9.81%</b>
<b>Expenses</b>							
Instruction Related	\$ 2,819,774	\$ 2,648,643	\$ -		\$ 2,819,774	\$ 2,648,643	6.47%
Student and Instructional Services	\$ 368,825	\$ 409,868	\$ -		\$ 368,825	\$ 409,868	-10.02%
Administration Services	\$ 647,482	\$ 529,596	\$ -		\$ 647,482	\$ 529,596	22.26%
Plant Operation	\$ 493,763	\$ 377,973	\$ -		\$ 493,763	\$ 377,973	30.64%
Transportation Services	\$ 57,891	\$ 178,311	\$ -		\$ 57,891	\$ 178,311	-67.54%
Other	\$ <u>777,217</u>	\$ <u>776,500</u>	\$ <u>191,627</u>	\$ <u>176,563</u>	\$ <u>968,844</u>	\$ <u>953,063</u>	<u>1.66%</u>
<b>Total Expenses</b>	<b>\$ 5,164,952</b>	<b>\$ 4,920,891</b>	<b>\$ 191,627</b>	<b>\$ 176,563</b>	<b>\$ 5,356,579</b>	<b>\$ 5,097,454</b>	<b>5.08%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 394,369</b>	<b>\$ 131,442</b>	<b>\$ -814</b>	<b>\$ 7,870</b>	<b>\$ 393,555</b>	<b>\$ 139,312</b>	<b>182.50%</b>

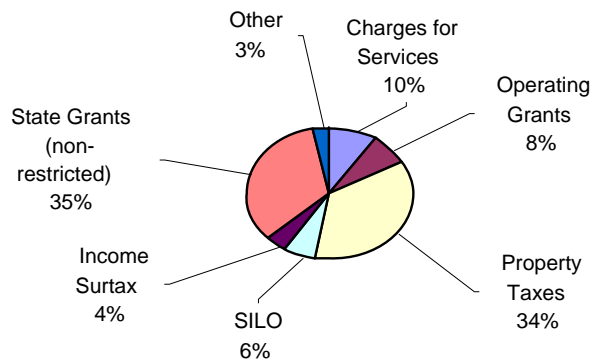
- **Revenues:** As shown above, the District's overall revenues increased by \$513,368, nearly a 10% increase over 2005. Of this increase, over \$400,000 of it came in three categories. First, 'charges for services' increased by approximately \$96,000. This is due to the District having twelve more open enrolled students in to the District in 2006 over 2005 in which they were collecting tuition for. Secondly, the 'Local Option Sales and Service Tax' category increased over \$55,000 due to Dallas County SILO funds coming in 37% higher than in 2005 due to additional retail business in the county. And lastly, state grants increased approximately \$278,000, or 17% due to the certified/budget enrollment increasing by 34.4 students from the enrollment used for the 2005 fiscal year budget.
- **Expenses:** The District's overall expenses only increased by \$259,125 or 5.08%. One of the reasons for this increase is due to the District's instruction related costs increasing by just over \$170,000 due to the addition of three additional teaching FTEs. Due to changes in the chart of accounts mandated by the Department of Education and changes in how expenses are coded, approximately \$50,000 of costs shifted from student support services to administration services. Plant operations also increased by nearly 30% due to increase in general plant operations costs such as snow removal, electricity, routine repair supplies and equipment, and natural gas. However, transportation costs decreased by \$121,000 due to no vehicle purchases in 2006.

The District had total revenues of \$5,750,134 of which \$5,559,321 (97%) was for governmental activities and \$190,813 (3%) was for business-type activities. These percent totals remained the same from 2005 to 2006.

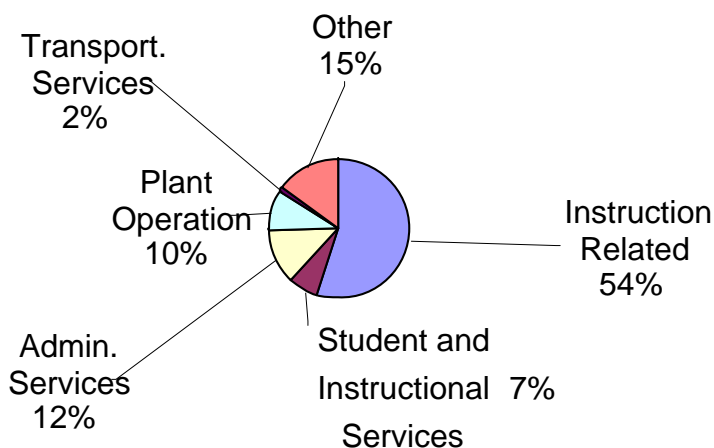
As shown below, property taxes and state grants contribute 69% of overall District revenues, while expenses directly related to instruction make up over 61% of the District's costs.

In 2006, total District revenues surpassed expenses by \$393,555. This net increase in assets is up \$254,243 from 2005. This is due primarily to revenues increasing by nearly 10% while overall expenses only increased by 5% for reasons noted above.

**Figure A-6**  
**District Revenues for 2006**



**Figure A-6**  
**District Expenses for 2006**



## Governmental Activities

Figure A-7 below presents the cost of six major District activities: instruction, support services, administration services, plant operations, transportation, and other. The table also shows each activity's *net cost*, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Net Cost of District's Governmental Activities**      **Figure A-7**  
**June 30, 2006**

	2005			2006		
	Expenses	Revenues	Net	Expenses	Revenues	Net
Instruction Related	\$ 2,648,643	\$ 702,429	\$ 1,946,214	\$ 2,819,774	\$ 781,139	\$ 2,038,635
Student and Instructional Services	\$ 409,868	\$ 3,764	\$ 406,104	\$ 368,825	\$ 16,153	\$ 352,672
Administration Services	\$ 529,596	\$ -	\$ 529,596	\$ 647,482	\$ -	\$ 647,482
Plant Operation	\$ 377,973	\$ -	\$ 377,973	\$ 493,763	\$ 85	\$ 493,678
Transportation Services	\$ 178,311	\$ 3,629	\$ 174,682	\$ 57,891	\$ 4,703	\$ 53,188
<u>Other</u>	<u>\$ 776,500</u>	<u>\$ 231,674</u>	<u>\$ 544,826</u>	<u>\$ 777,217</u>	<u>\$ 152,401</u>	<u>\$ 624,816</u>
<b>Total Expenses</b>	<b>\$ 4,920,891</b>	<b>\$ 941,496</b>	<b>\$ 3,979,395</b>	<b>\$ 5,164,952</b>	<b>\$ 954,481</b>	<b>\$ 4,210,471</b>

- The cost of all governmental activities for 2006 was \$5,164,952. This is an increase of \$244,061, or 5% from 2005.
- \$536,244 of the above mentioned cost was financed by the users of the District's programs. Federal and state governments subsidized certain programs with grants and contributions totaling \$418,237.
- The majority of the District's net costs of \$4,210,471, however, were financed by District taxpayers and the taxpayers of our state.
- The 2006 net cost portion of governmental activities was financed with \$1,945,924 in property taxes and \$1,919,081 in unrestricted state aid based on the statewide finance formula.



## Business-Type Activities

Revenues of the District's business-type activities (food and nutrition services) were comprised of charges for services, federal and state reimbursements, and investment income.

- Business-type activity expenses exceeded revenues by just \$814 in 2006. This amount is down from 2005 when revenues exceeded expenses by \$7,870.
- Charges for services represent \$138,545 or 73% of total revenue, while federal and state reimbursement for meals, including payments for free and reduced lunches was \$51,426, or 27% of total revenue.
- Operating expenses increased from \$176,563 in 2005 to \$191,627 in 2006. This 9% increase is partially due to salaries and benefits increasing by just over 4% and the cost of food slightly increasing due to additional fuel charges. The District continues to purchase most of their commodities through a coop-purchasing/bulk rate type of buying.

## Financial Analysis of the District's Funds

As previously noted, the Van Meter Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A summary financial analysis of each individual District fund follows:

### Business-Type Fund Highlights

- The **Nutrition Fund's** expenses exceeded revenues by \$814. This is due to a slight decrease in revenue from charges for services decreasing from \$140,455 in 2005 to \$138,545 in 2006. However, this was offset by an increase of \$7,664 in state and federal funding. Expenses increased by nearly 9% due to the cost of salaries and food going up, which more than offset the increase in total revenues.

### Governmental Fund Highlights:

- The **General Fund** ending balance decreased from \$463,810 in 2005 to \$333,306 in 2006. This fund pays for the vast majority of all instructional and operational costs of the District and represents over 70% of all Governmental Fund expenses in the fiscal year.

- General Fund revenues increased by 11%, from \$3,823,136 in 2005 to \$4,225,690 in 2006. This was primarily due to a \$329,000 increase in State sources due to an increase in the budget enrollment in which State funds are generated.
- Expenses increased by 7% going from \$4,069,827 in 2005 to \$4,356,194 in 2006. Instruction related expenses increased by nearly \$300,000. The majority of these costs are for salaries and benefits. The salaries and benefits package increased 4.35% for employees pursuant to the settlement reached between the Van Meter Education Association and School Board. Also, the District increased their teaching staff by 3 full time equivalents in order to accommodate the additional students attending Van Meter School.
- The District's solvency ratio (Undesignated Funds/Total General Fund Revenues) decreased from 12.13% in 2005 to 7.88% in 2006. The primary reason for the decrease is due to hiring additional staff. Although this went down significantly, the District's current solvency ratio is still within the recommended target range of 5-10%.
- The **Management Fund's** ending balance nearly doubled, going from \$57,746 in 2005 to \$91,451 in 2006. The District decided to increase the Management Fund Levy from \$100,000 in 2005 to \$130,000 in 2006 in an effort to maintain a healthy balance in the fund due to some possible upcoming early retirements. In 2006, there were no new early retirements due to the Board of Education offering no additional early retirement incentives. In compliance with Iowa Code, only early retirement benefits and non-medical insurance are paid for out of the Management Fund.
- The **Physical Plant and Equipment Levy (PPEL) Fund** balance decreased from \$127,860 in 2005 to \$(88,994) in 2006. The PPEL fund had \$13,031 cash on hand and an additional \$7973 in property taxes receivable, but due to the \$110,000 interfund payable due the general fund at year end, it resulted in a deficit fund balance. This was primarily due to the land purchase in November 2005 in which the general fund loaned the PPEL fund \$200,000 to help fund the purchase. The District plans to use fiscal year 2007 PPEL monies to payback this loan.

- The **Capital Projects Fund** balance decreased from \$353,522 in 2005 to \$139,434 in 2006. Again, this is primarily due to SILO funds of nearly \$400,000 paying for part of the land purchase during the year. Revenues in this fund were received from the School Infrastructure Local Option Sales Tax dollars from Dallas and Madison Counties totaling \$346,403.
- The **Activity Fund** ending balance increased from \$47,362 in 2005 to \$57,122 in 2006. This fund is used to record revenue and expenses involved with extra-curricular activities such as basketball, football, drama, drill team, class accounts, etc.
- The **Debt Service Fund** ending balance increased from \$21,197 in 2005 to \$3,151,863 in 2006. The increase was due to the investments of the refunding bond proceeds totalling \$3,129,262 at year end, which are being held for the future refunding of bonds callable in 2010. This fund is used to pay principal, interest, and bank fees associated with the District's debt. All revenues are generated from property taxes which are levied to cover the District's debt expense for the given year.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing for all funds, except blended component units, internal service funds, and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the District amended the certified budget one time. The District increased the 'Other Expenditure' category from \$1,862,993 to \$2,062,993 to account for the land purchase. All other expenses were well within the certified budget as it is the Management's practice to certify the maximum.

A line-item budget is also prepared by Management to monitor expenses and revenues on a monthly basis. District spending decisions are based on the amounts budgeted in attempt to have a positive ending balance each year. The District's General Fund expenses exceeded the line-item budget by just 1.16% while actual revenues exceeded the line-item budget by 2.2%.

In fiscal year 2006, the District converted from budgeting on a cash basis to an accrual basis. However, this did not impact the District's Certified Annual Report since the District has always converted year-end data to an accrual basis for reporting purposes in order to comply with Department of Education regulations.

## Capital Assets

At June 30, 2006, the District had invested a total of \$6,917,518, net of accumulated depreciation, in a broad range of capital assets including buildings, athletic facilities, computers, audio-visual equipment, school nutrition equipment, and transportation equipment. As shown in Figure A-8, the majority of the increase from 2005 to 2006 was the purchase of approximately 30 acres of additional land for the District in the amount of \$590,000

Capital Assets (net of depreciation)

Figure A-8

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 801,592	\$ 211,025	\$ -		\$ 801,592	\$ 211,025
Construction in Progress	\$ -	\$ 72,518	\$ -		\$ -	\$ 72,518
Buildings and Improvements	\$ 5,809,899	\$ 5,790,186	\$ -		\$ 5,809,899	\$ 5,790,186
Equipment	\$ 291,446	\$ 224,675	\$ 14,581	\$ 18,022	\$ 306,027	\$ 242,697
<b>Total</b>	<b>\$ 6,902,937</b>	<b>\$ 6,298,404</b>	<b>\$ 14,581</b>	<b>\$ 18,022</b>	<b>\$ 6,917,518</b>	<b>\$ 6,316,426</b>

## Long-Term Liabilities

At year end, the district had \$7,417,635 in general obligation debt and other long-term liabilities outstanding. This represents an increase of \$2,835,993 or 62% from last year. As stated earlier, this large increase is due to the District issuing \$3,155,000 of general obligation school refunding bonds to crossover refund the November 1, 2000 general obligation bonds. Since this is a crossover refunding and does not qualify as a debt defeasance, the November 1, 2000 bonds remain as a long-term liability until their call date on May 1, 2010.

Outstanding Long-Term Debt  
as of June 30, 2006

Figure A-9

### Total School District

	<u>2006</u>	<u>2005</u>	<u>Net Decrease</u>
General Obligation Bonds	\$ 7,130,000	\$ 4,165,000	\$ 2,965,000
Capital Loan Notes (PPEL)	\$ 160,000	\$ 240,000	\$ (80,000)
Early Retirement	\$ 123,884	\$ 174,119	\$ (50,235)
Other	\$ 3,751	\$ 2,523	\$ 1,228
<b>Total</b>	<b>\$ 7,417,635</b>	<b>\$ 4,581,642</b>	<b>\$ 2,835,993</b>

## Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Van Meter Education Association and School Board settled on a three year contract (2004-07) which is a 4.35% salary/benefit increase each year. Salary negotiations will begin during the 2007 fiscal year between the two groups.
- The budget enrollment count taken in September 2006 (during the 2007 fiscal year) decreased by 4.4 students. However, total students in the building increased by 13 due to more kids open enrolling into the District. The Board of Education took action in June 2006 to cap open enrollment in to the District, only allowing families who currently have siblings in Van Meter or current students who move out of the District to open enroll in. Future enrollment trends are expected to increase significantly due to new housing developments in the District as well as overall growth in the area. This is important as funding is highly dependant upon student enrollment under Iowa's school funding formula.
- Dallas County is currently in the process of recalculating the county's taxable valuation. According to county leaders, the District is anticipating a 15-20% increase in their Dallas County taxable valuation. This will directly impact the District's bonding capacity and will largely dictate future building decisions for the District's planned expansion. Those amounts will be finalized in January 2007.
- The overall economic development of Dallas and Madison counties will directly impact the District. Both counties have passed the one cent School Infrastructure Local Option sales tax (SILO). Retail sales and commercial growth in the area will largely impact the District's SILO funds as well as the District's taxable valuations. To date, retail sales in Dallas County have been higher than anticipated.
- The District's Physical Plant and Equipment Levy (PPEL) is set to expire in June 2008. The School Board has indicated plans to take this to the voters in September 2007 and ask for the full levy amount of \$1.34 for the next ten years. This levy generates approximately \$200,000 annually for infrastructure needs. The District's patrons have been very supportive of this levy in the past. It will be critical to keep the PPEL in place for future building needs to accommodate the District's growing enrollment.
- The national economy, the State of Iowa's budget, and pending legislative decisions will also impact schools significantly. For example, the legislature has considered passing a statewide one cent sales tax. If this legislation passes, it would significantly impact the District's bonding capacity because it would allow the District to possibly borrow against future sales tax revenue further into the future.

## **Contacting the District's Financial Management**

The financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Greg DeTimmerman, Superintendent or Shonna Trudo, Business Manager, at Van Meter Community School District, PO Box 257, Van Meter, Iowa, 50261 or call (515) 996-9960.

## Basic Financial Statements

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,007,973	\$ 29,450	\$ 4,037,423
Receivables:			
Property tax:			
Current year	19,853	-	19,853
Succeeding year	1,747,000	-	1,747,000
Income surtax	210,488	-	210,488
Accrued interest	1,145	88	1,233
Due from other governments	79,036	-	79,036
Inventories	-	1,785	1,785
Restricted ISCAP assets (note 5):			
Investments	682,511	-	682,511
Accrued interest receivable	6,199	-	6,199
Capital assets, net of accumulated depreciation (note 6)	6,902,937	14,581	6,917,518
<b>Total assets</b>	<b>13,657,142</b>	<b>45,904</b>	<b>13,703,046</b>
<b>Liabilities</b>			
Accounts payable	17,535	-	17,535
Salaries and benefits payable	402,411	2,295	404,706
Accrued interest payable	56,034	-	56,034
ISCAP warrants payable (note 5)	682,000	-	682,000
ISCAP accrued interest payable (note 5)	5,808	-	5,808
ISCAP unamortized premium (note 5)	4,782	-	4,782
Deferred revenue:			
Succeeding year property tax	1,747,000	-	1,747,000
Other	-	2,172	2,172
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	24,348	-	24,348
Bonds payable	200,000	-	200,000
Notes payable	80,000	-	80,000
Compensated absences	3,751	-	3,751
Portion due after one year:			
Early retirement	99,536	-	99,536
Bonds payable	6,930,000	-	6,930,000
Notes payable	80,000	-	80,000
<b>Total liabilities</b>	<b>10,333,205</b>	<b>4,467</b>	<b>10,337,672</b>



VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,764,800	\$ 14,581	\$ 2,779,381
Restricted for:			
Other special revenue purposes	57,122	-	57,122
Capital projects	139,434	-	139,434
Unrestricted	362,581	26,856	389,437
Total net assets	\$ 3,323,937	\$ 41,437	\$ 3,365,374

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 1,997,232	\$ 331,494	\$ 189,466
Special instruction	385,332	76,504	42,367
Other instruction	437,210	121,323	19,985
	<u>2,819,774</u>	<u>529,321</u>	<u>251,818</u>
Support services:			
Student services	135,302	-	-
Instructional staff services	233,523	6,923	9,230
Administration services	647,482	-	-
Operation and maintenance of plant services	493,763	-	85
Transportation services	57,891	-	4,703
	<u>1,567,961</u>	<u>6,923</u>	<u>14,018</u>
Other expenditures:			
Facilities acquisition	102,397	-	-
Long-term debt interest and fiscal charges	334,932	-	-
AEA flowthrough	152,401	-	152,401
Depreciation (unallocated) *	187,487	-	-
	<u>777,217</u>	<u>-</u>	<u>152,401</u>
Total governmental activities	5,164,952	536,244	418,237
Business-Type Activities:			
Non-instructional programs:			
Food service operations	<u>191,627</u>	<u>138,545</u>	<u>51,426</u>
Total	\$ 5,356,579	\$ 674,789	\$ 469,663

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,476,272)	\$ -	\$ (1,476,272)
(266,461)	-	(266,461)
(295,902)	-	(295,902)
(2,038,635)	-	(2,038,635)
(135,302)	-	(135,302)
(217,370)	-	(217,370)
(647,482)	-	(647,482)
(493,678)	-	(493,678)
(53,188)	-	(53,188)
(1,547,020)	-	(1,547,020)
(102,397)	-	(102,397)
(334,932)	-	(334,932)
-	-	-
(187,487)	-	(187,487)
(624,816)	-	(624,816)
(4,210,471)	-	(4,210,471)
-	(1,656)	(1,656)
(4,210,471)	(1,656)	(4,212,127)

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Functions/Programs

---

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 1,333,345	\$ -	\$ 1,333,345
413,443	-	413,443
199,136	-	199,136
243,234	-	243,234
346,403	-	346,403
1,919,081	-	1,919,081
88,336	842	89,178
61,862	-	61,862
4,604,840	842	4,605,682
394,369	(814)	393,555
2,929,568	42,251	2,971,819
<u>\$ 3,323,937</u>	<u>\$ 41,437</u>	<u>\$ 3,365,374</u>

VAN METER COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 626,337	\$ 18,268	\$ 234,106	\$ 878,711
Investments held by fiscal agent	-	3,129,262	-	3,129,262
Receivables:				
Property tax:				
Current year	12,120	4,333	3,400	19,853
Succeeding year	1,202,000	357,000	188,000	1,747,000
Income surtax	210,488	-	-	210,488
Accrued interest	1,145	-	-	1,145
Interfund receivable (note 3)	110,000	-	5,886	115,886
Due from other governments	13,395	-	65,641	79,036
Restricted ISCAP assets (note 5):				
Investments	682,511	-	-	682,511
Accrued interest receivable	6,199	-	-	6,199
Total assets	<u>\$ 2,864,195</u>	<u>\$ 3,508,863</u>	<u>\$ 497,033</u>	<u>\$ 6,870,091</u>

VAN METER COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 17,514	\$ -	\$ 21	\$ 17,535
Salaries and benefits payable	402,411	-	-	402,411
Interfund payable	5,886	-	110,000	115,886
ISCAP warrants payable (note 5)	682,000	-	-	682,000
ISCAP accrued interest payable (note 5)	5,808	-	-	5,808
ISCAP unamortized premium	4,782	-	-	4,782
Deferred revenue:				
Succeeding year property tax	1,202,000	357,000	188,000	1,747,000
Other	210,488	-	-	210,488
Total liabilities	<u>2,530,889</u>	<u>357,000</u>	<u>298,021</u>	<u>3,185,910</u>
Fund balance:				
Reserved for:				
Debt service	-	3,151,863	-	3,151,863
Unreserved:				
Reported in nonmajor Special				
Revenue Funds	-	-	59,578	59,578
Undesignated	333,306	-	139,434	472,740
Total fund balances	<u>333,306</u>	<u>3,151,863</u>	<u>199,012</u>	<u>3,684,181</u>
Total liabilities and fund balances	<u>\$ 2,864,195</u>	<u>\$ 3,508,863</u>	<u>\$ 497,033</u>	<u>\$ 6,870,091</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2006

Total fund balances of governmental funds	\$ 3,684,181
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,902,937
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	210,488
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(56,034)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,417,635)</u>
Net assets of governmental activities	<u>\$ 3,323,937</u>
See notes to financial statements.	



VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,413,733	\$ 413,443	\$ 675,901	\$ 2,503,077
Tuition	391,969	-	-	391,969
Other	82,755	60,656	139,083	282,494
State sources	2,218,481	-	1,387	2,219,868
Federal sources	118,752	-	10,677	129,429
Total revenues	4,225,690	474,099	827,048	5,526,837
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,022,047	-	18,955	2,041,002
Special instruction	380,456	-	-	380,456
Other instruction	325,323	-	111,887	437,210
	2,727,826	-	130,842	2,858,668
Support services:				
Student services	135,302	-	-	135,302
Instructional staff services	204,123	-	29,400	233,523
Administration services	617,560	-	28,694	646,254
Operation and maintenance of plant services	375,938	-	110,784	486,722
Transportation services	143,044	-	-	143,044
	1,475,967	-	168,878	1,644,845
Other expenditures:				
Facilities acquisition	-	-	827,646	827,646
Long term debt:				
Principal	-	270,000	-	270,000
Interest and fiscal charges	-	292,308	-	292,308
AEA flowthrough	152,401	-	-	152,401
	152,401	562,308	827,646	1,542,355
Total expenditures	4,356,194	562,308	1,127,366	6,045,868
Deficiency of revenues under expenditures	(130,504)	(88,209)	(300,318)	(519,031)

VAN METER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	General	Debt Service	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Interfund transfers in (note 4)	\$ -	\$ 87,160	\$ -	\$ 87,160
Interfund transfers out (note 4)	-	-	(87,160)	(87,160)
General obligation bonds issued	-	3,131,715	-	3,131,715
Total other financing sources (uses)	-	3,218,875	(87,160)	3,131,715
Net change in fund balances	(130,504)	3,130,666	(387,478)	2,612,684
Fund balances beginning of year	463,810	21,197	586,490	1,071,497
Fund balances end of year	\$ <u>333,306</u>	\$ <u>3,151,863</u>	\$ <u>199,012</u>	\$ <u>3,684,181</u>

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 2,612,684

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 841,509	
Depreciation expense	<u>(236,976)</u>	604,533

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 32,484

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 270,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (19,339)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Early retirement	50,235	
Compensated absences	(1,228)	
Bond refunding costs	<u>(23,285)</u>	25,722

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets and do not affect the Statement of Activities. (3,131,715)

Change in net assets of governmental activities \$ 394,369

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

June 30, 2006

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 29,450
Interest receivable	88
Inventories	1,785
Capital assets, net of accumulated depreciation	<u>14,581</u>
Total assets	<u>45,904</u>
Liabilities	
Salaries and benefits payable	2,295
Deferred revenue:	
Other	<u>2,172</u>
Total liabilities	<u>4,467</u>
Net Assets	
Invested in capital assets	14,581
Unrestricted	<u>26,856</u>
Total net assets	<u>\$ 41,437</u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>138,545</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	55,097
Benefits	19,662
Purchased services	2,224
Supplies	111,203
Depreciation	3,441
	<u>191,627</u>
Operating loss	<u>(53,082)</u>
Non-operating revenues:	
Interest on investments	842
State sources	2,882
Federal sources	48,544
Total non-operating revenues	<u>52,268</u>
Change in net assets	(814)
Net assets beginning of year	<u>42,251</u>
Net assets end of year	\$ <u><u>41,437</u></u>

See notes to financial statements.

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 138,916
Cash received from miscellaneous operating activities	4,229
Cash payments to employees for services	(72,464)
Cash payments to suppliers for goods or services	<u>(107,804)</u>
Net cash used by operating activities	<u>(37,123)</u>
Cash flows from non-capital financing activities:	
State grants received	2,882
Federal grants received	<u>44,139</u>
Net cash provided by non-capital financing activities	<u>47,021</u>
Cash flows from investing activities:	
Interest on investments	<u>779</u>
Net increase in cash and cash equivalents	10,677
Cash and cash equivalents beginning of year	<u>18,773</u>
Cash and cash equivalents end of year	<u>\$ 29,450</u>

VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2006

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (53,082)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3,441
Commodities used	4,405
Decrease in accounts receivable	2,428
Decrease in inventories	1,218
Increase in salaries and benefits payable	2,295
Increase in deferred revenues	<u>2,172</u>
Net cash used by operating activities	\$ <u><u>(37,123)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$4,405 of federal commodities.

See notes to financial statements.

## VAN METER COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2006

	<u>Agency</u>
Assets:	
Due from other governments	\$ <u>19,195</u>
Liabilities:	
Due to other governments	\$ <u>19,195</u>
See notes to financial statements.	



## VAN METER COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2006

#### Note 1. Summary of Significant Accounting Policies

Van Meter Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Van Meter, Iowa, and agricultural territory in Dallas and Madison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Van Meter Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Van Meter Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

Related Organization – The Van Meter Education Foundation is a related organization with the Van Meter Community School District. The Foundation is independent from the District and the District is not financially dependent upon the Foundation nor obligated for any Foundation debt instruments.

#### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

Investments Held by Fiscal Agent – Proceeds from the District's refunding bond issue are held by a fiscal agent in anticipation of the May 1, 2010 call date of the refunded bonds. These proceeds are all invested in U.S. Treasury Notes.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned meal revenues.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted in any of the four functions.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2. Cash and Pooled Investments (continued)

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
U.S. Treasury notes	\$ 3,129,261
Iowa Schools Joint Investment Trust - Diversified Portfolio	<u>345,612</u>
	<u>\$ 345,612</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in U.S. Treasury Notes is reported at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service. The investment in U.S. Treasury Notes is not subject to risk categorization.

Note 3. Interfund Receivables/Payables

The detail of the interfund receivables and payables is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
Special Revenue Fund, Physical Plant and Equipment Levy	General Fund	\$ 5,886
General Fund	Special Revenue Fund, Physical Plant and Equipment Levy	<u>110,000</u>
Total		<u>\$ 115,886</u>

During the year ended June 30, 2006, the District approved a \$200,000 loan from the General Fund to the Special Revenue Fund, Physical Plant and Equipment Levy, of which \$110,000 was not yet repaid at year end.

The amount due to the Physical Plant and Equipment Levy Fund from the General Fund is a correction of a prior year error.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>87,160</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2005-06B	1/26/2006	1/26/2007	\$ 300,044	\$ 6,080	\$ 299,000	\$ 5,793	\$ 1,867
2006-07A	6/28/2006	6/28/2007	382,467	119	383,000	15	2,915
Total			<u>\$ 682,511</u>	<u>\$ 6,199</u>	<u>\$ 682,000</u>	<u>\$ 5,808</u>	<u>\$ 4,782</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2006.



VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 211,025	\$ 590,567	\$ -	\$ 801,592
Construction in progress	72,518	134,682	207,200	-
Total capital assets not being depreciated	<u>283,543</u>	<u>725,249</u>	<u>207,200</u>	<u>801,592</u>
Capital assets being depreciated:				
Buildings	7,412,270	207,200	-	7,619,470
Furniture and equipment	672,727	116,260	80,000	708,987
Total capital assets being depreciated	<u>8,084,997</u>	<u>323,460</u>	<u>80,000</u>	<u>8,328,457</u>
Less accumulated depreciation for:				
Buildings	1,622,084	187,487	-	1,809,571
Furniture and equipment	448,052	49,489	80,000	417,541
Total accumulated depreciation	<u>2,070,136</u>	<u>236,976</u>	<u>80,000</u>	<u>2,227,112</u>
Total capital assets being depreciated, net	<u>6,014,861</u>	<u>86,484</u>	<u>-</u>	<u>6,101,345</u>
Governmental activities capital assets, net	<u>\$ 6,298,404</u>	<u>\$ 811,733</u>	<u>\$ 207,200</u>	<u>\$ 6,902,937</u>

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 79,959	\$ -	\$ -	\$ 79,959
Less accumulated depreciation	61,937	3,441	-	65,378
Business-type activities capital assets, net	<u>\$ 18,022</u>	<u>\$ (3,441)</u>	<u>\$ -</u>	<u>\$ 14,581</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

    Instruction:

        Regular

\$ 6,465

        Special

4,876

    Support services:

        Operation and maintenance of plant services

7,041

        Transportation

31,107

49,489

Unallocated depreciation

187,487

Total governmental activities depreciation expense

\$ 236,976

Business-type activities:

    Food service operations

\$ 3,441

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Early Retirement	General Obligation Bonds	Capital Loan Notes	Compensated Absences	Total
Balance beginning of year	\$ 174,119	\$ 4,165,000	\$ 240,000	\$ 2,523	\$ 4,581,642
Additions	-	3,155,000	-	3,751	3,158,751
Reductions	50,235	190,000	80,000	2,523	322,758
Balance end of year	<u>\$ 123,884</u>	<u>\$ 7,130,000</u>	<u>\$ 160,000</u>	<u>\$ 3,751</u>	<u>\$ 7,417,635</u>
Due within one year	<u>\$ 24,348</u>	<u>\$ 200,000</u>	<u>\$ 80,000</u>	<u>\$ 3,751</u>	<u>\$ 283,751</u>

Early Retirement

The District offered a voluntary early retirement plan in past years to its certified and classified employees. Eligible employees had to be at least age fifty-five. Classified employees had to have completed ten years of continuous service to the District. Certified employees had to complete ten years of service to the District but the time did not have to be continuous. The early retirement incentive for certified employees was supplemental pay of ninety days at the per diem rate of the employee's current base salary plus redemption of unused sick leave days at 10% of the per diem rate. The District also continued furnishing single policy medical insurance for retirees at the same monthly rate in effect at the time of retirement. The early retirement incentive for classified employees was the redemption of unused sick days at a rate of \$30 per day, up to a maximum of 165 days. Classified employees could also retain the District's group insurance policy but must pay the monthly premium on the policy. All employees had to complete an application which is required to be approved by the Board of Education. The District paid \$50,235 in early retirement benefits during the year ended June 30, 2006.

Bonds Payable

On November 1, 2005, the district issued \$3,155,000 of general obligation school refunding bonds with interest rates from 3.8% to 4.0% to crossover refund the November 1, 2000 general obligation bonds with interest rates from 5.0% to 6.25%. The net proceeds from the issuance of the November 1, 2005 refunding bonds of \$3,131,715 were placed in escrow and will be used to refund the November 1, 2000 bonds on their call date of May 1, 2010. This is a crossover refunding agreement and does not meet the requirements of a debt defeasance. Therefore, the November 1, 2000 bonds will remain as a long-term liability of the District until the call date of May 1, 2010.

As a result of the crossover refunding, the District reduced its total debt service requirements by \$217,838, which resulted in a net present value economic gain of \$149,425.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Long-Term Liabilities (continued)

Bonds Payable (continued)

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 2000			Bond Issue of February 1, 1999		
	Interest Rate	Interest	Principal	Interest Rate	Interest	Principal
2007	6.250 %	\$ 200,616	\$ 85,000	4.00 %	\$ 11,615	\$ 115,000
2008	6.250	195,304	85,000	4.10	7,015	125,000
2009	6.250	189,991	175,000	4.20	1,890	45,000
2010	6.250	179,054	230,000	-	-	-
2011	5.000	164,679	245,000	-	-	-
2012	5.100	152,429	255,000	-	-	-
2013	5.200	139,424	270,000	-	-	-
2014	5.250	125,384	285,000	-	-	-
2015	5.300	110,421	300,000	-	-	-
2016	5.350	94,521	315,000	-	-	-
2017	5.375	77,669	335,000	-	-	-
2018	5.375	59,662	350,000	-	-	-
2019	5.375	40,850	370,000	-	-	-
2020	5.375	20,962	390,000	-	-	-
		<u>\$ 1,750,966</u>	<u>\$ 3,690,000</u>		<u>\$ 20,520</u>	<u>\$ 285,000</u>

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Bond Issue of November 1, 2005			Total	
	Interest Rate	Interest	Principal	Interest	Principal
2007	4.00 %	\$ 125,057	\$ -	\$ 337,288	\$ 200,000
2008	4.00	125,058	-	327,377	210,000
2009	4.00	125,057	-	316,938	220,000
2010	4.00	125,058	-	304,112	230,000
2011	4.00	125,057	260,000	289,736	505,000
2012	4.00	114,658	270,000	267,087	525,000
2013	4.00	103,857	285,000	243,281	555,000
2014	4.00	92,458	295,000	217,842	580,000
2015	4.00	80,657	310,000	191,078	610,000
2016	3.80	68,258	320,000	162,779	635,000
2017	3.85	56,097	335,000	133,766	670,000
2018	4.00	43,200	345,000	102,862	695,000
2019	4.00	29,400	360,000	70,250	730,000
2020	4.00	15,000	375,000	35,962	765,000
		<u>\$ 1,228,872</u>	<u>\$ 3,155,000</u>	<u>\$ 3,000,358</u>	<u>\$ 7,130,000</u>

During the year ended June 30, 2006, the District retired \$190,000 in general obligation bonds.

Capital Loan Note

Details of the District's June 30, 2006 capital loan note indebtedness are as follows:

Maturity	Interest		Principal
	Rate	Interest	
May 1, 2007	2.80 %	\$ 4,720	\$ 80,000
May 1, 2008	3.10	2,480	80,000
		<u>\$ 7,200</u>	<u>\$ 160,000</u>

During the year ended June 30, 2006, the District retired \$80,000 in capital loan notes.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$144,781, \$133,954, and \$129,172 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Van Meter Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: dental, life and disability

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$25,727.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Van Meter Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$152,401 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Financial Condition

At June 30, 2006, the District's nonmajor Special Revenue Fund, Physical Plant and Equipment Levy had an unreserved, undesignated deficit balance of \$88,995.

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## Required Supplementary Information

VAN METER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual (14-month Conversion Basis) – All Governmental Funds  
and Proprietary Fund  
Required Supplementary Information  
Year Ended June 30, 2006

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 3,265,172	\$ 141,840	\$ 3,407,012	\$ 3,428,061	\$ 3,428,061	\$ (21,049)
State sources	2,230,608	2,882	2,233,490	2,270,396	2,270,396	(36,906)
Federal sources	213,816	48,544	262,360	172,000	172,000	90,360
Total revenues	5,709,596	193,266	5,902,862	5,870,457	5,870,457	32,405
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	3,157,017	-	3,157,017	3,638,000	3,638,000	480,983
Support services	1,744,293	-	1,744,293	1,801,097	1,801,097	56,804
Non-instructional programs	-	170,602	170,602	223,013	223,013	52,411
Other expenditures	1,575,959	-	1,575,959	1,862,993	2,062,993	487,034
Total expenditures/expenses	6,477,269	170,602	6,647,871	7,525,103	7,725,103	1,077,232
Excess (deficiency) of revenues over (under) expenditures/ expenses	(767,673)	22,664	(745,009)	(1,654,646)	(1,854,646)	1,109,637
Other financing sources, net	3,131,715	-	3,131,715	500	500	3,131,215
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	2,364,042	22,664	2,386,706	(1,654,146)	(1,854,146)	4,240,852
Balance beginning of year	1,320,139	18,773	1,338,912	1,664,788	1,664,788	(325,876)
Balance end of year	\$ 3,684,181	\$ 41,437	\$ 3,725,618	\$ 10,642	\$ (189,358)	\$ 3,914,976

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information  
Year Ended June 30, 2006

Governmental Funds			
	14-Month GAAP Conversion Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,709,596	\$ (182,759)	\$ 5,526,837
Expenditures	6,477,269	(431,401)	6,045,868
Net	(767,673)	248,642	(519,031)
Other financing sources (uses)	3,131,715	-	3,131,715
Beginning fund balances	1,320,139	(248,642)	1,071,497
Ending fund balances	<u>\$ 3,684,181</u>	<u>\$ -</u>	<u>\$ 3,684,181</u>
Proprietary Fund			
	14-Month GAAP Conversion Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 193,266	\$ (2,453)	\$ 190,813
Expenses	170,602	21,025	191,627
Net	22,664	(23,478)	(814)
Beginning net assets	18,773	23,478	42,251
Ending net assets	<u>\$ 41,437</u>	<u>\$ -</u>	<u>\$ 41,437</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District adopted an accrual basis budget for the year ended June 30, 2006. This change requires the District to budget 14 months in the current year. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$200,000.

During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any functional area.

## Other Supplementary Information

## VAN METER COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2006

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
<b>Assets</b>					
Cash and pooled investments	\$ 90,138	\$ 57,143	\$ 13,032	\$ 73,793	\$ 234,106
Receivables:					
Property tax:					
Current year	1,313	-	2,087	-	3,400
Succeeding year	9,000	-	179,000	-	188,000
Interfund receivable	-	-	5,886	-	5,886
Due from other governments	-	-	-	65,641	65,641
<b>Total assets</b>	<b>\$ 100,451</b>	<b>\$ 57,143</b>	<b>\$ 200,005</b>	<b>\$ 139,434</b>	<b>\$ 497,033</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 21	\$ -	\$ -	\$ 21
Interfund payable	-	-	110,000	-	110,000
Deferred revenue:					
Succeeding year property tax	9,000	-	179,000	-	188,000
<b>Total liabilities</b>	<b>9,000</b>	<b>21</b>	<b>289,000</b>	<b>-</b>	<b>298,021</b>
<b>Fund equity:</b>					
Fund balances:					
Unreserved:					
Undesignated	91,451	57,122	(88,995)	139,434	199,012
<b>Total liabilities and fund equity</b>	<b>\$ 100,451</b>	<b>\$ 57,143</b>	<b>\$ 200,005</b>	<b>\$ 139,434</b>	<b>\$ 497,033</b>

See accompanying independent auditor's report.

## VAN METER COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2006

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
Revenues:					
Local sources:					
Local tax	\$ 130,362	\$ -	\$ 199,136	\$ 346,403	\$ 675,901
Other	7,008	121,647	10,428	-	139,083
State sources	-	-	1,387	-	1,387
Federal sources	-	-	10,677	-	10,677
Total revenues	<u>137,370</u>	<u>121,647</u>	<u>221,628</u>	<u>346,403</u>	<u>827,048</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	18,955	-	-	-	18,955
Other instruction	-	111,887	-	-	111,887
Support services:					
Instructional staff services	29,400	-	-	-	29,400
Administration services	28,694	-	-	-	28,694
Operation and maintenance of plant services	26,616	-	84,168	-	110,784
Other expenditures:					
Facilities acquisition	-	-	354,315	473,331	827,646
Total expenditures	<u>103,665</u>	<u>111,887</u>	<u>438,483</u>	<u>473,331</u>	<u>1,127,366</u>
Excess (deficiency) of revenues over (under) expenditures	33,705	9,760	(216,855)	(126,928)	(300,318)
Other financing sources (uses):					
Interfund transfers out	-	-	-	(87,160)	(87,160)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	33,705	9,760	(216,855)	(214,088)	(387,478)
Fund balances beginning of year	<u>57,746</u>	<u>47,362</u>	<u>127,860</u>	<u>353,522</u>	<u>586,490</u>
Fund balances end of year	<u>\$ 91,451</u>	<u>\$ 57,122</u>	<u>\$ (88,995)</u>	<u>\$ 139,434</u>	<u>\$ 199,012</u>

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Annual	\$ 2,768	\$ 7,573	\$ 10,088	\$ 253
Athletics	10,976	45,164	45,277	10,863
Baseball	(169)	3,502	3,333	-
Basketball - Boys	499	2,475	1,389	1,585
Basketball - Girls	1,642	746	1,140	1,248
Book Fair	1,661	9,018	6,204	4,475
Book Tournament	87	251	118	220
Boxtops for Education	728	1,567	1,704	591
Cap and Gown	878	941	895	924
Class of 2002	92	(92)	-	-
Class of 2003	(75)	75	-	-
Class of 2004	38	(38)	-	-
Class of 2005	(280)	280	-	-
Class of 2006	55	82	137	-
Class of 2007	1,858	2,811	4,121	548
Class of 2008	2,742	81	500	2,323
Class of 2009	1,161	81	71	1,171
Class of 2010	3,034	1,476	146	4,364
Class of 2011	-	2,479	95	2,384
Class of 2012	-	1,700	55	1,645
Computer	-	-	-	-
Dance Squad	953	83	-	1,036
District Football	(740)	1,419	679	-
District Music	156	81	-	237
Drama	1,429	2,051	1,812	1,668
Elementary Music - Resale	(160)	627	467	-
Elementary Science Club	(764)	1,304	113	427
Elementary Yearbook	357	426	783	-
Fieldtrips	272	2,730	2,768	234
Football	2,440	9,397	9,215	2,622
Golf	(2,601)	5,398	549	2,248
Graduates	97	(97)	-	-
Heart Association	233	593	579	247
Huss Memorial	700	82	-	782
Interest - Checking	6,291	(5,360)	-	931
Interest Public Funds	483	(11)	367	105
Junior Achievement	80	82	-	162
Junior High Senate	144	(144)	-	-
Junior High Boys Basketball	5	82	-	87
Junior High Girls Basketball	-	398	-	398
Junior High Volleyball	(36)	299	181	82



VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
National Honor Society	\$ 7	\$ 562	\$ 318	\$ 251
Pep Club	2	3,427	2,899	530
Pottery	889	242	76	1,055
Reading Incentive	405	82	-	487
Reading Night	120	82	-	202
Softball	(535)	3,513	2,231	747
Spanish Club	343	82	-	425
Steele Memorial	75	-	-	75
Stewart Memorial	-	7,638	4,499	3,139
Student Council	3,631	3,526	6,556	601
Student Pictures	846	2,035	1,605	1,276
Summer Recreation	1,024	82	-	1,106
Technology Club	344	82	-	426
Track - Boys	532	82	-	614
Track - Girls	903	41	-	944
Track - JH Boys	359	615	885	89
Track - JH Girls	(40)	122	-	82
Tree Project	18	(18)	-	-
Volleyball	416	3,473	3,589	300
Wallace Summer Program	989	83	159	913
Interfund Transfers	-	(3,716)	(3,716)	-
Total	\$ 47,362	\$ 121,647	\$ 111,887	\$ 57,122

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Due from other governments	\$ 16,645	\$ 113,907	\$ 111,357	\$ 19,195
Liabilities				
Due to other governments	\$ 16,645	\$ 113,907	\$ 111,357	\$ 19,195

See accompanying independent auditor's report.

VAN METER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,503,077	\$ 2,387,738	\$ 2,206,697	\$ 1,983,695
Tuition	391,969	300,265	296,314	250,607
Other	282,494	221,687	205,726	729,934
Intermediate sources	-	-	-	3,060
State sources	2,219,868	1,941,464	1,927,381	1,972,285
Federal sources	129,429	201,293	222,650	173,202
Total revenues	<u>\$ 5,526,837</u>	<u>\$ 5,052,447</u>	<u>\$ 4,858,768</u>	<u>\$ 5,112,783</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,041,002	\$ 1,944,336	\$ 1,830,957	\$ 1,942,989
Special instruction	380,456	329,964	423,683	271,976
Other instruction	437,210	396,422	262,154	388,643
Support services:				
Student services	135,302	130,739	119,489	125,077
Instructional staff services	233,523	279,129	232,053	211,721
Administration services	646,254	531,237	489,930	454,189
Operation and maintenance of plant services	486,722	370,932	304,050	280,500
Transportation services	143,044	185,319	108,451	101,224
Other expenditures:				
Facilities acquisition	827,646	301,395	248,412	1,866,240
Long-term debt:				
Principal	270,000	255,000	250,000	165,000
Interest and fiscal charges	292,308	239,631	249,397	251,256
AEA flowthrough	152,401	137,762	140,786	149,462
Total expenditures	<u>\$ 6,045,868</u>	<u>\$ 5,101,866</u>	<u>\$ 4,659,362</u>	<u>\$ 6,208,277</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Van Meter Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Van Meter Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Meter Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-B-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Meter Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Van Meter Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Van Meter Community School District and other parties to whom Van Meter Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Van Meter Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
September 1, 2006

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

- I-A-06 Disbursement Approval – We noted that the Board did not approve one General Fund disbursement (of 28 tested) and one Special Revenue, Student Activity Fund disbursement (of five tested).

Recommendation – Chapter 279.29 of the Code of Iowa provides that “the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claims therefore have been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claims can be paid until the board has taken action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claims have been examined and verified.” Therefore, all claims for all funds should be examined, approved and listings initialed by the Board prior to any disbursements, and all amounts provided to the Board should be accurate.

Response – We will approve all disbursements for all funds as required.

Conclusion – Response accepted.

Reportable Conditions:

- I-B-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The receipt and deposit of monies are done by one individual, and the posting of the cash receipts and bank reconciliations for the General, PPEL, Debt Service and Capital Projects Funds are done by one individual.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-C-06 Untimely Deposits – We noted in our testing of the receipts process that one deposit of 21 tested was not made on a timely basis. The time lapse was 15 days between the receipt and the deposit.

Recommendation – The District should adopt procedures within the receipts process that would insure timely deposits of all funds received to protect the underlying asset.

Response – We have made changes to correct this problem and communicated the new procedures to all applicable personnel.

Conclusion – Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-D-06      Support Documentation – We noted four disbursements of forty tested that had no support documentation or lacked full documentation, such as invoices or receipts.

Recommendation – The District should require full supporting documentation before making any disbursements or obtain and document Board approval to make a payment with the understanding the necessary documentation will be subsequently provided.

Response – We will consider these suggestions and will change our disbursement procedures so that all support documentation is retained and documented.

Conclusion – Response accepted.

- I-E-06      Supplies Advance – We noted one disbursement made to an employee as an advance for the purchase of supplies. However, the receipts later brought in by the employee totaled \$20 less than the advance.

Recommendation – All supplies, if not purchased directly by the District, should be paid for on a strictly reimbursement basis only. The District should be refunded the additional \$20 by the employee.

Response – We will investigate this matter and will make all necessary changes to our procedures.

Conclusion – Response accepted.

VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, did not exceed the amount budgeted in any of the four functions.

II-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gene Gabus, Board President Owner of Des Moines Chrysler Plymouth	Van repair	\$ 630

The transaction with Board President Gabus does not appear to represent a conflict of interest since the transaction resulted in less than \$2,500 personal financial gain as allowed by Chapter 279.7A of the Code of Iowa.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.



VAN METER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting (continued):

II-J-06      School Nutrition Program – We noted that the District records all revenues for sales of lunches and breakfasts under one account number. The State of Iowa requires all Districts to track sales of reimbursable lunches and breakfasts separately.

Recommendation – The District should establish separate revenue accounts for reimbursable lunches, breakfasts and milk sales, as well as for sales of second lunches and adult meal sales.

Response – We have now established these revenue accounts and will properly track all meal revenues as required.

Conclusion – Response accepted.

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